

HOUSE JOINT MEMORIAL 7

48TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2008

INTRODUCED BY

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A JOINT MEMORIAL

REQUESTING THE NEW MEXICO LEGISLATIVE COUNCIL TO DIRECT THE INTERIM REVENUE STABILIZATION AND TAX POLICY COMMITTEE TO STUDY THE NEW MEXICO COAL SURTAX DURING THE 2008 INTERIM.

WHEREAS, mineral extraction should generate revenue for current and future generations of New Mexicans in the form of severance taxes; and

WHEREAS, severance taxes are imposed on coal production in New Mexico, and the coal severance tax was established in 1937; and

WHEREAS, in 1977, the New Mexico state legislature passed the coal surtax, which imposes a surcharge for coal in addition to the severance tax on coal; and

WHEREAS, the current severance tax rate is a fixed value of fifty-seven cents (\$.57) per ton for surface mined coal; and

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1           WHEREAS, the current coal surtax is eighty cents (\$.80)  
2 per ton for surface mined coal and annually indexed to the  
3 producer price index for coal; and

4           WHEREAS, currently, the effective total tax rate on New  
5 Mexico coal is estimated at thirteen percent, which is the  
6 highest rate in the adjacent western states; and

7           WHEREAS, no other western states impose a coal surtax on  
8 their coal production; and

9           WHEREAS, the New Mexico state legislature passed  
10 legislation that exempts new coal contracts from the coal  
11 surtax while existing, long-term contracts continue to include  
12 payment of the coal surtax; and

13           WHEREAS, the inconsistent treatment of coal contracts  
14 results in a tax inequity for the end users of coal who are  
15 customers of electrical generation facilities that use coal as  
16 the primary fuel;

17           NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE  
18 STATE OF NEW MEXICO that the New Mexico legislative council be  
19 requested to direct the interim revenue stabilization and tax  
20 policy committee to study the New Mexico coal surtax during the  
21 2008 interim; and

22           BE IT FURTHER RESOLVED that the study include:

23           A. an economic and marketing analysis to determine  
24 the market impact of the coal surtax on New Mexico;

25           B. a review of a coal marketing study conducted by

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1 the coal production companies; and

2 C. a review of new technologies used in the mining  
3 of coal; and

4 BE IT FURTHER RESOLVED that the interim revenue  
5 stabilization and tax policy committee hold a hearing to  
6 discuss the findings of the study by December 1, 2008; and

7 BE IT FURTHER RESOLVED that copies of this memorial be  
8 transmitted to the co-chairs of the New Mexico legislative  
9 council and the chair of the interim revenue stabilization and  
10 tax policy committee.